ERIC
THE ERISA INDUSTRY COMMITTEE
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The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue, NW, Suite 2100
Washington, D.C. 20220

Dear Advisory Panelists:

The ERISA Industry Committee (ERIC) is pleased to present comments to the Advisory Panel regarding the need to consider the impact of federal tax reform on employee benefit plans.

The majority of American workers depend on employment-based programs both for health coverage and for retirement savings. Tax reform proposals that enhance benefit security for workers, retirees, and their families should be favorably considered by the panel, and proposals that would endanger such programs should be rejected. Supporting employer-provided benefits is in the best interest of the government as such plans reduce the number of individuals that must rely on the government for health care and financial security in retirement. In addition, the government recoups taxes deferred on many forms of retirement savings.

ERIC is a nonprofit association committed to the advancement of the employee retirement, health, incentive, and compensation plans of America's major employers. ERIC's members' plans are the benchmarks against which industry, third-party providers, consultants, and policy makers measure the design and effectiveness of employee benefit, incentive, and compensation plans. ERIC, therefore, has a strong interest in proposals affecting its members' ability to provide employee benefits, incentive, and compensation plans, their costs and effectiveness, and the role of those plans in the American economy.

Over one half of the workforce receives their health coverage and achieves their retirement savings through plans voluntarily sponsored by employers. The tax treatment of benefits under these employment-based plans – as well as how that treatment compares to benefits available outside of the employment setting – will have an important impact on the design and continuation of employment-based programs in the future.

Experience shows that workers, particularly lower and middle income workers, are more likely to have health coverage and to accrue retirement savings if they participate in an employer plan than if they are left on their own. If changes to the tax system do not continue to encourage employer-provided benefits, it is likely that any financial gains due to administrative simplification and improved compliance will be greatly overshadowed by ballooning participation in government-funded social programs. Indeed, we believe that provisions to encourage employers to maintain benefit plans should increase, including innovative benefit designs such as hybrid defined benefit pension plans and employee-controlled health care solutions

Accordingly, ERIC urges that the Advisory Panel consider the following proposals:

- Enact on a permanent basis the increased savings and funding limits applicable to tax-qualified retirement plans that were included in EGTRRA (P.L. 107-16).

- Increase the amount of contributions that an employer can make to a defined benefit pension plan on a deductible basis; and eliminate penalties for contributions made above deductible limits

- Encourage employers to match employee after-tax qualified plan contributions by permitting employers to deduct such contributions.

- Expand the savers credit (IRC Sec 25B) that successfully has enabled lower income workers to set aside money for retirement savings

- Do not disadvantage savings distributed from a qualified plan compared to distributions of savings accrued outside of a plan.

- Encourage continued adoption of consumerism in health care through simple tax incentives for employers that utilize Health Savings Accounts, Retirement Medical Benefit Accounts, and other employee-controlled health care solutions.

- Do not create new tax barriers that will cause employers to drop employee health care coverage, such as recent proposals to eliminate the FICA exemption under section 125 cafeteria plans.

Sincerely,

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